

*Township of Johnstown*

*Barry County, Michigan*

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

*Year ended March 31, 2008*

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## INDEPENDENT AUDITORS' REPORT

**Board of Trustees  
Township of Johnstown, Michigan**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Johnstown, Michigan, as of March 31, 2008, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Johnstown, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Johnstown, Michigan, as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, as listed in the contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township of Johnstown, Michigan, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.



1958-2008

Board of Trustees  
Township of Johnstown, Michigan  
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Johnstown, Michigan's, basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Sigfried Crandall P.C.*

August 22, 2008

## **BASIC FINANCIAL STATEMENTS**

**Township of Johnstown**  
**STATEMENT OF NET ASSETS**  
 March 31, 2008

	<u><b>Governmental activities</b></u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 1,464,152
Receivables, net	144,211
Prepaid expenses	<u>14,434</u>
Total current assets	<u>1,622,797</u>
Noncurrent assets:	
Receivables, net	183,386
Capital assets not being depreciated	5,012
Capital assets, net of accumulated depreciation	<u>333,905</u>
Total noncurrent assets	<u>522,303</u>
Total assets	<u>2,145,100</u>
<b>LIABILITIES</b>	
Current liabilities:	
Payables	20,064
Deferred revenue	161,625
Contract payable	<u>48,783</u>
Total current liabilities	230,472
Noncurrent liabilities - contract payable	<u>48,782</u>
Total liabilities	<u>279,254</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	241,352
Restricted for:	
Perpetual care	3,348
Public works	8,919
Debt service	97,565
Unrestricted	<u>1,514,662</u>
Total net assets	<u>\$ 1,865,846</u>

See notes to financial statements

**Township of Johnstown**  
**STATEMENT OF ACTIVITIES**  
Year ended March 31, 2008

		<u>Program Revenues</u>		<u>Net (expenses)</u>
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>revenues and changes in net assets</u>
<b>Functions/Programs</b>				
Governmental activities:				
Legislative	\$ 8,494	\$ -	\$ -	\$ (8,494)
General government	155,319	34,172	-	(121,147)
Public safety	162,324	5,425	282	(156,617)
Public works	140,505	39,153	3,955	(97,397)
Health and welfare	2,500	-	-	(2,500)
Culture and recreation	26,285	-	-	(26,285)
Debt service - interest	5,735	5,735	-	-
Total governmental activities	<u>\$ 501,162</u>	<u>\$ 84,485</u>	<u>\$ 4,237</u>	<u>(412,440)</u>
General revenues:				
Taxes				245,026
State grants				209,707
Franchise fees				-
Investment income				53,161
Total general revenues				<u>507,894</u>
Change in net assets				95,454
Net assets - beginning				<u>1,770,392</u>
Net assets - ending				<u>\$ 1,865,846</u>

See notes to financial statements

**Township of Johnstown**  
**BALANCE SHEET - governmental funds**  
March 31, 2008

	<u>General</u>	<u>Special revenue</u>		
		<u>Fire</u>	<u>Fine Lake Aquatic</u>	<u>Building</u>
<b>ASSETS</b>				
Cash	\$ 379,592	\$ 356,129	\$ 57,218	\$ 500,000
Receivables	45,428	8,358	163,326	-
Prepaid expenses	14,434	-	-	-
Total assets	<u>\$ 439,454</u>	<u>\$ 364,487</u>	<u>\$ 220,544</u>	<u>\$ 500,000</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Payables	\$ 11,322	\$ -	\$ -	\$ -
Deferred revenue	-	-	161,625	-
Total liabilities	<u>11,322</u>	<u>-</u>	<u>161,625</u>	<u>-</u>
Fund balances:				
Reserved for perpetual care	-	-	-	-
Unreserved, undesignated	428,132	364,487	58,919	500,000
Unreserved, reported in nonmajor - special revenue funds	-	-	-	-
Total fund balances	<u>428,132</u>	<u>364,487</u>	<u>58,919</u>	<u>500,000</u>
Total liabilities and fund balances	<u>\$ 439,454</u>	<u>\$ 364,487</u>	<u>\$ 220,544</u>	<u>\$ 500,000</u>

Total fund balances

Amounts reported for *governmental activities* in the statement of net assets (page 4) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Long-term liabilities, including contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Net assets of *governmental activities*



<u>Debt service</u>	<u>Total nonmajor governmental funds</u>	<u>Total governmental funds</u>
<u>Sewer</u>		

\$ -	\$ 171,213	\$ 1,464,152
103,850	6,635	327,597
-	-	14,434

<u>\$ 103,850</u>	<u>\$ 177,848</u>	<u>\$ 1,806,183</u>
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\$ 6,285	\$ 2,457	\$ 20,064
97,565	-	259,190

<u>103,850</u>	<u>2,457</u>	<u>279,254</u>
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-	3,348	3,348
-	-	1,351,538

<u>-</u>	<u>172,043</u>	<u>172,043</u>
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<u>-</u>	<u>175,391</u>	<u>1,526,929</u>
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<u>\$ 103,850</u>	<u>\$ 177,848</u>	<u>\$ 1,806,183</u>
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\$ 1,526,929

338,917

97,565

(97,565)

\$ 1,865,846

See notes to financial statements

*Township of Johnstown*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - governmental funds**

*Year ended March 31, 2008*

		<i>Special revenue</i>		
	<i>General</i>	<i>Fire</i>	<i>Fine Lake Aquatic</i>	<i>Building</i>
<b>REVENUES</b>				
Taxes	\$ 108,552	\$ 88,877	\$ -	\$ -
State grants	213,662	-	-	-
Charges for services	11,728	-	-	-
Interest	33,337	12,196	735	-
Other	5,332	-	38,850	-
Total revenues	372,611	101,073	39,585	-
<b>EXPENDITURES</b>				
Legislative	8,494	-	-	-
General government	146,237	-	-	-
Public safety	102,392	-	-	-
Public works	98,121	-	42,384	-
Health and welfare	2,500	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	34,329	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	392,073	-	42,384	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(19,462)	101,073	(2,799)	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	78,706	-	-	-
Transfers out	-	(19,363)	(9,325)	-
Total other financing sources (uses)	78,706	(19,363)	(9,325)	-
<b>NET CHANGES IN FUND BALANCES</b>	59,244	81,710	(12,124)	-
<b>FUND BALANCES - BEGINNING</b>	368,888	282,777	71,043	500,000
<b>FUND BALANCES - ENDING</b>	\$ 428,132	\$ 364,487	\$ 58,919	\$ 500,000

<u>Debt service</u>	<u>Total nonmajor governmental funds</u>	<u>Total governmental funds</u>
<u>Sewer</u>		
\$ -	\$ 70,719	\$ 268,148
-	-	213,662
-	-	11,728
5,735	6,893	58,896
55,923	-	100,105
<u>61,658</u>	<u>77,612</u>	<u>652,539</u>
-	-	8,494
-	-	146,237
-	-	102,392
-	-	140,505
-	-	2,500
-	26,285	26,285
-	-	34,329
55,923	-	55,923
5,735	-	5,735
<u>61,658</u>	<u>26,285</u>	<u>522,400</u>
<u>-</u>	<u>51,327</u>	<u>130,139</u>
-	-	78,706
-	(50,018)	(78,706)
<u>-</u>	<u>(50,018)</u>	<u>-</u>
-	1,309	130,139
-	174,082	1,396,790
<u>\$ -</u>	<u>\$ 175,391</u>	<u>\$ 1,526,929</u>

See notes to financial statements

*Township of Johnstown*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - *governmental funds* (Continued)**

*Year ended March 31, 2008*

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Net change in fund balances - total governmental funds	\$ 130,139
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Amounts reported for *governmental activities* in the statement of activities (page 5) are different because:

Capital assets:

Assets acquired	32,987
Provision for depreciation	(67,672)

Long-term debt - principal repayments	55,923
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Changes in other assets/liabilities:

Net decrease in deferred revenue	<u>(55,923)</u>
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Change in net assets of <i>governmental activities</i>	<u>\$ 95,454</u>
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*See notes to financial statements*

***Township of Johnstown***  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Township of Johnstown, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

*a) Reporting entity:*

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Fund accounts for the financial resources used for the operational costs of the Township public safety functions. Revenues are primarily derived from property taxes.

The Fine Lake Aquatic Fund accounts for weed control financed through special assessments.

The Building Fund accounts for amounts designated for building improvements. Resources are primarily derived from transfer from the General Fund.

The Sewer Debt Service Fund accounts for the issuance and payment of debt related to sewer improvements.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB).

The Township utilizes a single fiduciary fund, its Tax Collection Fund, which account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted as they are needed.

*d) Assets, liabilities, and net assets or equity:*

*i) Bank deposits* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

**Township of Johnstown**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*d) Assets, liabilities, and net assets or equity (continued):*

*ii) Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

*iii) Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

*iv) Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 40 years
Equipment	3 - 5 years
Vehicles	10 - 15 years

*v) Deferred revenue* - In the fund financial statements, governmental funds report deferred revenue in connection with resources for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

*vi) Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

*vii) Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

**Township of Johnstown**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued):**

The following schedule set forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
General	Capital outlay	\$ 30,025	\$ 34,329	\$ (4,304)
Fine Lake Aquatic	Other financing uses	6,000	9,325	(3,325)

**NOTE 3 - CASH:**

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At March 31, 2008, the Township had deposits with a carrying amount of \$1,464,152.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2008, \$818,666 of the Township's bank balances of \$1,518,019 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

**NOTE 4 - RECEIVABLES:**

Receivables as of year end for the Township's individual major and nonmajor funds, in the aggregate, are as follows:

<u>Fund</u>	<u>Interest</u>	<u>Property taxes</u>	<u>Special assessments</u>	<u>Inter- governmental</u>	<u>Total</u>
General	\$ -	\$ 9,851	\$ -	\$ 35,577	\$ 45,428
Fire	-	8,358	-	-	8,358
Fine Lake Aquatic	51	-	163,275	-	163,326
Sewer Debt Service	645	-	103,205	-	103,850
Nonmajor funds	-	6,635	-	-	6,635
Totals	\$ 696	\$ 24,844	\$ 266,480	\$ 35,577	\$ 327,597
Noncurrent portion	\$ -	\$ -	\$ 183,386	\$ -	\$ 183,386

All receivables are considered fully collectible.



**Township of Johnstown**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity for the year ended March 31, 2008, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 5,012	\$ -	\$ -	\$ 5,012
Capital assets being depreciated:				
Buildings and improvements	105,420	-	-	105,420
Equipment	196,144	32,987	-	229,131
Vehicles	758,428	-	-	758,428
Subtotal	1,059,992	32,987	-	1,092,979
Less accumulated depreciation for:				
Buildings and improvements	(75,874)	(3,148)	-	(79,022)
Equipment	(133,386)	(26,735)	-	(160,121)
Vehicles	(482,142)	(37,789)	-	(519,931)
Subtotal	(691,402)	(67,672)	-	(759,074)
Total capital assets being depreciated, net	368,590	(34,685)	-	333,905
Governmental activities capital assets, net	\$ 373,602	\$ (34,685)	\$ -	\$ 338,917

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 3,362
Public safety	64,310
Total	<u>\$ 67,672</u>

**NOTE 6 - DEFERRED REVENUE:**

As of March 31, 2008, the various components of deferred revenues are as follows:

	<u>Unearned</u>	<u>Unavailable</u>	<u>Totals</u>
Special assessments	\$ 161,625	\$ 97,565	\$ 259,190

**Township of Johnstown**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 7 - LONG-TERM DEBT:**

Long-term debt at March 31, 2008, is comprised of the following issue:

*Special assessment debt with governmental commitment:*

The Township has a contractual agreement to remit to the Southwest Barry County Sewer and Water Authority all principal and interest collections arising from special assessments levied on properties served by the Authority. The Township is contingently liable for \$340,245 of outstanding water and sewer system contracts payable, in excess of the amounts which are to be repaid from collections of special assessments currently levied against properties within the Township. The Township has pledged its full faith and credit toward the total amounts due and anticipates that additional future assessments and other customer charges will be used to pay the contract liabilities.

Long-term liability activity for the year ended March 31, 2008, was as follows:

Beginning	\$ 153,488
Reductions	<u>(55,923)</u>
Ending	<u>\$ 97,565</u>
Amounts due within one year	<u>\$ 48,783</u>

Debt service requirements at March 31, 2008, were as follows:

<u>Year ended</u> <u>March 31:</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 48,783	\$ 5,854
2010	<u>48,782</u>	<u>2,927</u>
Totals	<u>\$ 97,565</u>	<u>\$ 8,781</u>

**NOTE 8 - INTERFUND TRANSFERS:**

A summary of interfund transfers for the year ended March 31, 2008, as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
General	\$ 69,381	Fire	\$ 19,363
		Road	50,000
		Cemetery	<u>18</u>
			69,381
General	<u>9,325</u>	Fine Lake Aquatic	<u>9,325</u>
	<u>\$ 78,706</u>		<u>\$ 78,706</u>

***Township of Johnstown***  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 8 - INTERFUND TRANSFERS (Continued):**

The transfer to the General Fund represents restricted revenues collected in the Fire, Road and Cemetery Funds to pay for operational costs of the public safety, public works, and cemetery functions respectively, accounted for in the General Fund.

The transfer to the General Fund represents the township's portion of interest earned on special assessments and to pay for costs of creating the assessment district upon its inception.

**NOTE 9 - PENSION PLAN:**

The Township provides pension benefits for its elected officials through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The Township's contributions are vested after six months of continuous service. The Township made the required contributions of \$20,100 for the year ended March 31, 2008.

The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

**NOTE 10 - RISK MANAGEMENT:**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 11 - JOINTLY GOVERNED ENTITY:**

The Township, together with the Townships of Barry, Hope, and Prairieville established the Southwest Barry County Sewer and Water Authority (the Authority), under the provisions of Act 233 of 1955, to operate, maintain, administer, and manage a sewage collection and disposal system. The governing body of the Authority is made up of the supervisors of each member township. Membership does not convey an equity interest in the organization. Operating costs are financed through user fees, and debt service costs are paid from special assessments upon benefited properties.

## REQUIRED SUPPLEMENTARY INFORMATION

**Township of Johnstown**  
**BUDGETARY COMPARISON SCHEDULE - General Fund**  
Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 104,000	\$ 104,000	\$ 108,552	\$ 4,552
State grants	200,000	210,000	213,662	3,662
Charges for services	17,500	17,500	11,728	(5,772)
Interest	12,000	25,000	33,337	8,337
Other	1,300	6,300	5,332	(968)
Total revenues	<u>334,800</u>	<u>362,800</u>	<u>372,611</u>	<u>9,811</u>
<b>EXPENDITURES</b>				
Legislative	<u>9,200</u>	<u>9,200</u>	<u>8,494</u>	<u>706</u>
General government:				
Supervisor	17,445	17,445	17,300	145
Election	5,200	5,200	3,610	1,590
Assessor	23,750	31,350	28,813	2,537
Clerk	21,415	21,415	20,987	428
Board of Review	1,610	1,610	1,244	366
Treasurer	23,410	23,410	23,416	(6)
Hall and grounds	8,100	8,100	8,024	76
Cemetery	8,800	10,450	10,426	24
Other	33,900	33,900	32,417	1,483
Total general government	<u>143,630</u>	<u>152,880</u>	<u>146,237</u>	<u>6,643</u>
Public safety - fire protection	<u>96,800</u>	<u>106,800</u>	<u>102,392</u>	<u>4,408</u>
Public works:				
Highways and streets	104,185	104,185	95,617	8,568
Street lights	-	-	-	-
Transfer station	2,500	2,500	2,504	(4)
Total public works	<u>106,685</u>	<u>106,685</u>	<u>98,121</u>	<u>8,564</u>
Health and welfare - ambulance	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>-</u>

**Township of Johnstown****BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended March 31, 2008

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	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Capital outlay	\$ 18,200	\$ 30,025	\$ 34,329	\$ (4,304)
Total expenditures	<u>377,015</u>	<u>408,090</u>	<u>392,073</u>	<u>16,017</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>(42,215)</u>	<u>(45,290)</u>	<u>(19,462)</u>	<u>25,828</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers from Road Fund	25,000	50,000	50,000	-
Transfers from Fire Fund	6,000	19,363	19,363	-
Transfers from Cemetery Fund	20	20	18	(2)
Transfers from Fine Lake Aquatic Fund	<u>-</u>	<u>6,000</u>	<u>9,325</u>	<u>3,325</u>
Total other financing sources	<u>31,020</u>	<u>75,383</u>	<u>78,706</u>	<u>3,323</u>
<b>NET CHANGE IN FUND BALANCES</b>	(11,195)	30,093	59,244	29,151
<b>FUND BALANCES - BEGINNING</b>	<u>368,888</u>	<u>368,888</u>	<u>368,888</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 357,693</u>	<u>\$ 398,981</u>	<u>\$ 428,132</u>	<u>\$ 29,151</u>

**Township of Johnstown**  
**BUDGETARY COMPARISON SCHEDULE - Fire Fund**  
Year ended March 31, 2008

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	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 86,000	\$ 86,000	\$ 88,877	\$ 2,877
Interest	<u>6,000</u>	<u>6,000</u>	<u>12,196</u>	<u>6,196</u>
Total revenues	92,000	92,000	101,073	9,073
<b>OTHER FINANCING USES</b>				
Transfer to General Fund	<u>(6,000)</u>	<u>(19,363)</u>	<u>(19,363)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	86,000	72,637	81,710	9,073
<b>FUND BALANCES - BEGINNING</b>	<u>282,777</u>	<u>282,777</u>	<u>282,777</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 368,777</u>	<u>\$ 355,414</u>	<u>\$ 364,487</u>	<u>\$ 9,073</u>

**Township of Johnstown****BUDGETARY COMPARISON SCHEDULE - Fine Lake Aquatic Fund**

Year ended March 31, 2008

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	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ 735	\$ 735
Other - special assessments	<u>23,844</u>	<u>34,844</u>	<u>38,850</u>	<u>4,006</u>
Total revenues	23,844	34,844	39,585	4,741
<b>EXPENDITURES</b>				
Public works	<u>11,260</u>	<u>42,460</u>	<u>42,384</u>	<u>76</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	12,584	(7,616)	(2,799)	4,817
<b>OTHER FINANCING USES</b>				
Transfer to General Fund	<u>-</u>	<u>(6,000)</u>	<u>(9,325)</u>	<u>(3,325)</u>
<b>NET CHANGE IN FUND BALANCES</b>	12,584	(13,616)	(12,124)	1,492
<b>FUND BALANCES - BEGINNING</b>	<u>71,043</u>	<u>71,043</u>	<u>71,043</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 83,627</u>	<u>\$ 57,427</u>	<u>\$ 58,919</u>	<u>\$ 1,492</u>



## **SUPPLEMENTARY INFORMATION**

**Township of Johnstown**  
**COMBINING BALANCE SHEET - nonmajor governmental funds**  
 March 31, 2008

	<u>Special revenue</u>		<u>Permanent</u>	
	<u>Road</u>	<u>Library</u>	<u>Cemetery</u>	
			<u>Perpetual Care</u>	<u>Total</u>
<b>ASSETS</b>				
Cash	\$ 167,865	\$ -	\$ 3,348	\$ 171,213
Receivables	<u>4,178</u>	<u>2,457</u>	<u>-</u>	<u>6,635</u>
Total assets	<u>\$ 172,043</u>	<u>\$ 2,457</u>	<u>\$ 3,348</u>	<u>\$ 177,848</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities - payables	\$ -	\$ 2,457	\$ -	\$ 2,457
Fund balances:				
Reserved for perpetual care	-	-	3,348	3,348
Unreserved, undesignated	<u>172,043</u>	<u>-</u>	<u>-</u>	<u>172,043</u>
Total fund balances	<u>172,043</u>	<u>-</u>	<u>3,348</u>	<u>175,391</u>
Total liabilities and fund balances	<u>\$ 172,043</u>	<u>\$ 2,457</u>	<u>\$ 3,348</u>	<u>\$ 177,848</u>

**Township of Johnstown****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - nonmajor governmental funds***Year ended March 31, 2008*

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	<u>Special revenue</u>		<u>Permanent</u>	
	<u>Road</u>	<u>Library</u>	<u>Cemetery</u>	
			<u>Perpetual Care</u>	<u>Total</u>
<b>REVENUES</b>				
Taxes	\$ 44,434	\$ 26,285	\$ -	\$ 70,719
Interest	<u>6,873</u>	<u>-</u>	<u>20</u>	<u>6,893</u>
Total revenues	51,307	26,285	20	77,612
<b>EXPENDITURES</b>				
Recreation and culture	<u>-</u>	<u>26,285</u>	<u>-</u>	<u>26,285</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	51,307	-	20	51,327
<b>OTHER FINANCING USES</b>				
Transfers out	<u>(50,000)</u>	<u>-</u>	<u>(18)</u>	<u>(50,018)</u>
<b>NET CHANGES IN FUND BALANCES</b>	1,307	-	2	1,309
<b>FUND BALANCES - BEGINNING</b>	<u>170,736</u>	<u>-</u>	<u>3,346</u>	<u>174,082</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 172,043</u>	<u>\$ -</u>	<u>\$ 3,348</u>	<u>\$ 175,391</u>

August 22, 2008

To the Board of Trustees  
Township of Johnstown

We have audited the financial statements of the governmental activities , each major fund, and the aggregate remaining fund information of the Township of Johnstown for the year ended March 31, 2008, and have issued our report thereon dated August 22, 2008. Professional standards require that we provide you with the following information related to our audit.

*Our Responsibility under U.S. Generally Accepted Auditing Standards*

As stated in our engagement letter dated March 3, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Township of Johnstown are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by Township of Johnstown during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.



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The disclosures in the financial statements are neutral, consistent, and clear.

*Audit Adjustments*

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended March 31, 2008.

*Other Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Johnstown's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Communication Regarding Internal Control*

In planning and performing our audit of the financial statements of the Township of Johnstown as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Johnstown's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls and, accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

- The Township's current contract with the sexton lacks provisions for the acceptance and payment of receipts for the services of grave openings. The revenue for grave openings should be reported as revenue of the township and respectively reported as a contracted payment to the sexton.
- The Township's current procedure associated with the processing and signing of vendor checks lacks appropriate monitoring (checks are presented to one of the signers without support for disbursement) .
- The Township has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. This is a recurring comment. The Township has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Johnstown and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Sigfried Crandall P.C.*